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IN THE

Supreme Court of the United States

OCTOBER TERM, 1966.

No. 1225

THE COLSON CORPORATION,
Petitioner,

vs.

EVEREST & JENNINGS, INC., GERALD M. JENNINGS, DAVID D. JENNINGS,
Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

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THE GUNTHROP-WARREN PRINTING COMPANY, CHICAGO

INDEX.

	PAGE
Prayer	1
Opinions below	1
Jurisdiction	2
Question presented	2
Statute involved	2
Statement	2
Reasons for granting the writ	6
1. Error below	7
2. Conflict in the circuits	10
3. Importance	12
Conclusion	13
Appendix A—Opinion of Court of Appeals	15
B—Conflicting opinion	23

Table of Cases.

Hoge Warren Zimmerman Co. v. Nourse & Co., 293 F. 2d 779 (6th Cir. 1961)	9
Shingle Product Patents, Inc. v. Gleason, 211 F. 2d 437 (9th Cir. 1954)	8, 10
Stock Equipment Co. v. Beaumont Berch Co., 140 USPQ 134 (E. D. Pa. 1963)	11
Talon Inc. v. Union Slide Fastener, Inc., 266 F. 2d 731 (9th Cir. 1959)	10
Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp., 382 U. S. 172 (1965)	6, 7, 10, 11, 12

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Petitioner, the Colson Corporation, prays that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Seventh Circuit, entered in the above-entitled case on January 5, 1967.

OPINIONS BELOW.

The opinion of the United States District Court for the Northern District of Illinois, Eastern Division, entered on August 18, 1965 is unreported. (P. App. 260.)[1] The opinion of the Court of Appeals, printed in Appendix A *infra* at page 15 and is reported at 371 F. 2d 240.

1. Plaintiffs-Appellants' Appendix in the court below will be referred to herein as (P. App. . . . .); the Defendants' additional Appendix as (D. App. ....).

JURISDICTION.

The judgment of the Circuit Court of Appeals was entered on January 5, 1967. Jurisdiction of this Court is invoked under 28 U. S. C. § 1254(1).

QUESTION PRESENTED.

Is the clear policy of Congress and this Court to discourage frivolous patent litigation and fraudulent procurement of patents obstructed when, despite findings of the District Court that

(1) the patent sued upon was invalid because the plaintiffs-patentees had publicly used and sold the alleged invention extensively for several years before filing the application for the patent in suit, and

(2) that plaintiffs obtained their patent by concealing their own extensive prior public use and sale of the alleged invention from the Patent Office,

the trial and appellate courts nevertheless failed to award attorney fees to the prevailing and non-infringing defendant?

STATUTE INVOLVED.

The statutory provision involved is § 285 of the patent laws (35 U. S. C. 285). This section provides, in full:

> "The court in exceptional cases may award reasonable attorney fees to the prevailing party."

STATEMENT.

This suit for patent infringement and injunction was brought by Everest & Jennings Inc. against Colson Corporation on September 11, 1961. The jurisdiction of the District Court was invoked because the case arises under the

patent laws. The original complaint charged infringement of two patents involved in wheelchair construction: the first a so-called one-arm drive, Patent No. 2,431,112 (D. App. 3) which Everest & Jennings later dropped from the suit, and the second a swinging detachable footrest, Patent No. 2,592,449 (sometimes referred to as the "Miller patent"—P. App. 291). Answering the charges of infringement, Colson asserted inter alia, that the patents were invalid because of lack of invention and because of anticipation through prior public use and sale by plaintiff. (P. App. 7.)

In 1946 Everest & Jennings began manufacturing and selling a combination wheelchair and footrest referred to generally as the "prior art chair", although the device in question is, more particularly, a swinging detachable footrest and wheelchair combination. Everest & Jennings manufactured and sold the prior art chair in commercial quantities from 1946 to 1950, all before the date (November 19, 1950) the patent application was filed. (Finding No. 6, P. App. 262.) The Miller patent, No. 2,592,449, purporting to cover the prior art chair, was issued April 8, 1952 to Everest & Jennings as assignee of the original applicant, the "inventor" Jack C. Miller. (P. App. 291.) At filing and during solicitation Everest & Jennings failed to exhibit to the Patent Office its almost idential prior art chair. Likewise, none of the numerous pintle hinge patents which crowded the prior art field was exhibited to the Patent Office during solicitation of the patent in suit or cited by the Patent Office Examiner. (Finding No. 10, P. App. 264-265.)

In 1956, after the Miller patent issued, Colson began manufacturing and selling wheelchairs in combination with the swingable and quick detachable footrest in several versions. Sales of one version by Colson brought notice of infringement from Everest & Jennings in March of 1960, and upon receipt Colson immediately stopped selling the

accused version. (P. App. 207.) Between March and August of 1960, Colson sold two versions of the wheelchair footrest combination which Colson adopted specifically on the advice of counsel in order to avoid any possible infringement of the Miller patent. On August 30, 1960, at Colson's invitation, Everest & Jennings' attorney and principal executive officer, Mr. Gerald C. Jennings, Jr., inspected Colson's chairs at a San Francisco exhibition. (P. App 209.) After this date Colson heard nothing from Everest & Jennings; no comment, no acknowledgment of the disclosures at the San Francisco exhibition, and no protests until the complaint in this action was served in September of 1961.

Throughout 1962, 1963 and 1964 Colson engaged in extensive pretrial discovery with respect to the claims of infringement of both the Miller and the one-arm drive patents. Colson filed numerous requests for admissions (172) and interrogatories (128) and took depositions of Everest & Jennings' officers as well as Mr. Jack C. Miller, the alleged inventor. Over three years after filing suit, on January 13, 1965, and only after the seventh group of Colson's requests for admissions and the third group of Colson's interrogatories to Everest & Jennings had been filed, Everest & Jennings finally abandoned its claims of infringement of the one-arm drive patent, with prejudice, from the suit. (D. App. 2.)

Hearings were held in the District Court for the Northern District of Illinois, Eastern Division in October, 1964, and February, 1965. On August 18, 1965 judgment was entered holding Everest & Jennings' footrest Patent No. 2,592,449 invalid (1) because of obviousness and lack of invention; (2) because Everest & Jennings had made public use and sale in commercial quantities of its own prior art chair for a period of more than one year prior to the date of patent

application; and (3) because Everest & Jennings had concealed its prior art chair from the Patent Office. Further, the District Court held that none of the claims of this patent, albeit invalid, had been infringed by Colson. (P. App. 269.)

The District Court specifically found the prior art chair, which was manufactured and sold extensively by Everest & Jennings at the time it pursued the patent application, to be "substantially and essentially identical with the patented chair in structure, function, mode of operation and results." (Finding No. 6, D. App. 262.) The District Court also found the alleged differences between the prior art chair and the patented chair to be immaterial.

> "All of the introduction of the Miller patent in suit, all the expressed objects and all of the avowed purposes and accomplishments of the alleged invention of that patent (contained in the first column thereof, and in the second column down to the description of the drawings) *are exemplified, accomplished and embodied as fully and particularly in the said Prior Art E. & J. Chair as they were in the variant thereof purporting to be patented in the patent in suit.*" (Emphasis supplied.) (Finding No. 7, D. App. 263.)

Nevertheless the District Court refused to award the attorneys fees, $26,704.21 (D. App. 57) sought by Colson. The Court of Appeals affirmed the District Court's holding that the patent was invalid. Likewise it upheld the District Court's refusal to grant attorneys fees to Colson, merely stating:

> "Where the trial court has made no finding of bad faith, such a finding cannot readily be made on review from a cold record. We find none here, *Cf. Talon Inc.* v. *Union Slide Fasteners, Inc.*, 266 F. 2d 731, 739 (9th Cir. 1959)."

REASONS FOR GRANTING THE WRIT.

> "It is not contemplated that the recovery of attorney's fees will become an ordinary thing in patent suits, but the discretion given the court in this respect, in addition to the present discretion to award triple damages, will discourage infringement of a patent by anyone thinking that all he would be required to pay if he loses the suit would be a royalty. The provision is also made general so as to enable the court to prevent a gross injustice to an alleged infringer.'"

It is clear that Congress intended § 285 to discourage frivolous patent claims and infringement as well as to compensate prevailing parties who are victimized by bad faith patent litigation. The decision of the Court of Appeals below should be reviewed because it erroneously interprets § 285 of the patent laws in refusing to find the instant case "exceptional" so as to justify the award of attorneys fees, thereby disrupting the statutory policy designed by Congress to discourage the filing and prosecution of groundless patent claims or defenses. From the record and the District Court's express findings, the "exceptional" nature of this case is manifest.

The far broader significance of the error below arises because of the great volume and complexity of patent litigation which exists at the district court level and the need to clarify and settle the question, one of first impression for this Court, of the circumstances under which attorneys fees *should* be awarded in patent cases in order to effectively carry out Congress' express policy of discouraging frivolous patent litigation. Furthermore, this Court in *Walker Process Equipment Inc.* v. *Food Machinery & Chemical Corp.*, 382 U. S. 172 (1965) sent a clear message to patent applicants and the lower courts that fraudulent conceal-

2. S. Rep. No. 1503, 79th Cong. 2d Sess. 1387 (1946).

ment of an applicant's relevant prior art will result in dire consequences, a message to which the Court of Appeals for the Seventh Circuit still, as in *Walker,* fails to give due credence. Finally, because the opinion of the Court of Appeals below is in conflict with decisions in the Ninth Circuit, the guidelines necessary for a uniform national application of attorneys fees awards in patent cases have been confused and remain unsettled.

1. **Error Below:** The District Court made explicit findings that Everest & Jennings *itself* manufactured and sold in commercial quantities its prior art chair for more than three years before the patent application was filed in November of 1950. Further, Everest & Jennings concealed its identical prior art chair from the Patent Office at the time of application and during the patent solicitation. The District Court and the Court of Appeals therefore erred in not holding that "bad faith" was necessarily inherent in plaintiff's concealment of its own identical prior art chair and in prosecuting a suit based upon a patent so fraudulently obtained. If the instant case is not an "exceptional" one under Section 285 of the patent laws then no patent case really can be.

The Court of Appeals has excused Everest & Jennings on the nominal ground that the District Court did not find them guilty of bad faith. But Everest & Jennings did not merely fail to exhibit prior art patents of debatable relevance they might have been aware of, but in fact they knowingly and wrongfully claimed and obtained a patent for their own prior art device, which they were busy making and selling down to the day and hour of making this application for this patent in suit. And to compound the mischief here, as the District Court found, the prior art chair not only lacked invention, but in any event Colson never infringed anything! (Finding No. 5 and Conclusion of Law No. 5, P. App. 261 and 269.)

Knowledge and concealment of someone else's relevant prior art has traditionally been grounds for finding the kind of bad faith justifying an award of attorneys fees. In *Shingle Product Patents, Inc.* v. *Gleason,* 211 F. 2d 437 (9th Cir. 1954), the court stated (at p. 441):

> "The district court specifically found that plaintiff, and its officers and directors, knew or should have known that the patents were invalid and that they 'commenced and prosecuted this action in bad faith, without justification, and without any reasonable belief in the merits of the claims alleged.' *As the basis for its finding of bad faith the court points out that plaintiff-appellant had knowledge of the Jackson, Burt, and Austrian patents and of the prior public uses of preformed wood shingle units* in Oklahoma and California." (Emphasis supplied.)

For stronger reasons if the prior art which plainly describes and anticipates an applicant's claimed invention is the applicant's *own device,* manufactured and sold commercially by him, the findings of unfairness and bad faith should be beyond the range of discretion and should be compelled as a matter of law.

Thus the District Court erred in not pursuing its otherwise explicit findings to the manifest conclusion of bad faith and the sanction of an award of fees. The lower court did not discuss or analyze the attorneys fees claim. Nor did it make any findings to support its disallowance of fees. However, the denial of fees is a *non sequitur* to the District Court's earlier findings that Everest & Jennings itself manufactured and sold commercially the prior art chair, in addition to concealing it from the Patent Office.

The Court of Appeals compounded this error by failing to examine the trial court's findings and to recognize their basic internal inconsistency. Instead of analyzing the contents of the trial court's findings which compel a finding

of unfairness and bad faith, the Court of Appeals simply accepted the trial court's unsupported inductive leap that "the defendant is not entitled to an allowance of attorneys' fees." (Conclusion of Law No. 6, P. App. 269.)

Acknowledging that a trial court's discretion in refusing to award attorneys' fees should not be upset unless a clear abuse discretion is shown, *e. g. Hoge Warren Zimmerman Co.* v. *Nourse & Co.*, 293 F. 2d 779 (6th Cir. 1961), some effort by the reviewing court must be made to determine whether the exercise of discretion was or was not abused, rather than mere unquestioning adherence to a trial court's conclusion. No such effort can be found in the opinion of the court below, aside from a cursory reference to the "cold record." This failure to take a careful look at the District Court's findings is all the more puzzling because the Appeals Court had, in affirming the finding of invalidity, quoted extensively from the findings, including those which clearly demonstrate Everest & Jennings' knowledge and concealment of its prior art chair from the Patent Office. Again consider the District Court's Finding No. 6 (P. App. 262):

> "The said Prior Art E. & J. Chair was manufactured and sold by plaintiffs and/or their predecessors from about 1946 through about the year 1949. It was substantially and essentially identical with the patented chair in structure, function, mode of operation and results."

The findings of Everest & Jennings, prior public use and sale and of concealment of such data from the Patent Office establish bad faith in procuring its patent. Its filing of a suit against Colson, thereby necessitating a large expenditure for attorneys' fees in defense of Colson's proper activity, clearly establishes the "exceptional case" and requires that Colson be reimbursed for the fees incurred as a proximate result of Everest & Jennings, wholly wrongful activity.

2. **Conflict in the Circuits:** More important than the error below is the conflict of decision which results. The Court of Appeals for the Ninth Circuit in *Shingle Product Patents Inc.* v. *Gleason,* 211 F. 2d 437 (9th Cir. 1954), affirmed the trial court in assigning as a basis for its finding of bad faith the fact that the applicant had knowledge of prior art and prior public use of the patented device. In another Ninth Circuit case, *Talon Inc.* v. *Union Slide Fastner, Inc.,* 266 F. 2d 731 (9th Cir. 1959), that court refused to disturb a finding of bad faith and an award of attorneys fees where the trial court found only that the action was brought by the patent holder "without reasonable belief in the validity of the patent", surely a far lesser showing of bad faith and unfairness than exists in the instant case where the issue is not one of "reasonable belief" in the validity of a patent, but obvious concealment of the applicant's prior art chair from the Patent Office.

There are, as might be expected, very few reported cases in which patentees have procured patents by fraud and then vexatiously sued on such patents. One case in which such allegations were made and which came to this Court on review of a grant of motion to dismiss is *Walter Process Equipment Inc.* v. *Food Machinery & Chemical Corp.,* 382 U. S. 172 (1965). Reversing the Seventh Circuit Court of Appeals, this Court held that patents procured by fraudulently concealing prior art are not entitled to anti-trust exemption, stating (at p. 177):

> "To permit recovery of treble damages for the fraudulent procurement of the patent coupled with violations of § 2 accords with these long-recognized procedures. It would also promote the purposes so well expressed in Precision Instrument, supra, 324 US at 816, 89 L'ed at 1387:
>
> > 'A patent by its very nature is affected with a public interest . . . (It) is an exception to the general rule against monopolies and to the right

> to access to a free and open market. The far-reaching social and economic consequences of a patent, therefore, give the public a paramount interest in seeing that patent monopolies spring from backgrounds free from fraud or other inequitable conduct and that such monopolies are kept within their legitimate scope.' "

One other such decision which was rendered before *Walker* and, though a district court case, is directly in point is *Stock Equipment Co.* v. *Beaumont Birch Co.*, reported only in 140 USPQ 134, (E. D. Pa. 1963) and included as Appendix B at page 23. In this case the court held that attorneys' fees were proper and necessary when the plaintiff-patentee concealed KNOWLEDGE OF DEFENDANT'S prior art from the patent office and then sued for infringement, a decision plainly conflicting with that in the instant case, yet involving an almost identical factual situation.

The Court of Appeals decision in the instant case conflicts with the decisions in the Ninth Circuit cited above as well as the decision in *Stock Equipment Co.* v. *Beaumont Birch Co., supra,* and also conflicts with the principle announced in this Court's opinion in the *Walker Process* case. The Ninth Circuit cases have one basic factual element in common: the applicant obtained a patent anticipated by prior art merely known to him. In the instant case not only was Everest & Jennings aware of the relevant prior art which anticipated and was substantially identical to the patent applied for, but the prior art was embodied in Everest & Jennings' own chair which it had manufactured and sold commercially and which it failed to exhibit or cite in its oath to the Patent Office. The conflict is more than one of principle with the decisions cited above; the conflict is a real and direct one stemming from an erroneous application of § 285 of the Patent Laws by the Court of Appeals below to a factual situation plainly more aggravated in its

"exceptional" nature than those involved in the Ninth Circuit decisions cited above.

3. **Importance:** The question of abuse of discretion in failing to allow attorneys fees under 28 U. S. C. 285 is one of first impression for this Court. The importance of announcing the proper standards to be applied in determining an award of attorneys fees in patent cases involves far more than the immediate concern of Colson to be reimbursed for the attorneys' fees which it has incurred in the defense of plaintiff's tainted claim in the instant case. What is involved is the much broader and more significant question of the manner in which this Court shall administer the flow of judicial business generated under the patent laws. Patent cases are necessarily complex, expensive and time consuming and, for these reasons, operate as a more troublesome clog in the lower courts' dockets.

Equally important is the policy against fraudulent procurement of patents by knowingly concealing relevant prior art. In the *Walker Process* case, Food Machinery and the Solicitor General alleged that Walker withheld knowledge of prior art in order to procure, fraudulently, a patent which it in turn used to gain competitive market advantages by threats of prosecution for infringement. This kind of economic leverage by threats of prosecution for infringement under invalid patents poses serious problems in the patent field. A clarification of the attorneys fees question would undoubtedly have a far reaching effect on the volume and character of patent litigation in this country. So long as decisions such as the one below remain uncorrected, the next patentee-plaintiff who has procured his patent fraudulently can write off any added risk of having to pay attorneys fees if his frivolous patent infringement claim is ultimately exposed as such, at least in the 7th Circuit. More than just reimbursing the imposed upon party for gross injustice, the importance of the award of fees lies

in its preventative force, a force which applies equally to the irresponsible infringer as well as the fraudulent enforcer; a force which Congress plainly intended Section 285 to have in discouraging frivolous patent litigation.

The instant case is a fit example of the expensive, time-consuming and laborious process of exposing invalidating prior art through litigation, a process which might have been unncessary if the risk of paying attorneys fees to a prevailing defendant had been a factor of any significance in Everest and Jennings making the original decision to sue, which it was not so long as it chose to bring its action in a court within the reviewing jurisdiction of the Court of Appeals for the Seventh Circuit.

CONCLUSION.

For the reasons set forth above, it is respectfully submitted that this petition for a writ of certiorari should be granted.

Respectfully submitted,

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